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REVIEW OF THE EFFICIENCY OF THE ADMINISTRATIVE AND FINANCIAL FUNCTIONING OF THE UNITED NATIONS

Progress in the implementation of procurement reform in the United Nations Secretariat

Report of the Secretary-General

I. INTRODUCTION

1. The General Assembly, in paragraph 3 of its resolution 49/216 C of 23 December 1994, requested the Secretary-General to submit to it, through the Advisory Committee on Administrative and Budgetary Questions, a report containing proposals for the improvement of the procurement activities in the Secretariat, including, inter alia:

(a) Any necessary amendments to the Financial Regulations and Rules of the United Nations and to the Staff Regulations and Rules of the United Nations required to address issues of conflict of interest;

(b) Reinforcement of the role of the Committee on Contracts and greater transparency in its operations in respect of the granting of exceptions to the competitive bidding rule, particularly where exigency is cited as the reason for requesting such exceptions;

(c) Improved monitoring of contract compliance and the strengthening of penalty clauses for non-compliance;

(d) Strengthening of the planning capacity of the Secretariat in the field of procurement;

(e) Enhancement of the effectiveness of the approved roster of bidders and the formulation of standard and transparent guidelines and procedures for the pre-qualification of potential suppliers;

(f) Timely advertisement of tenders for competitive bidding and the regular publication of contract awards.

2. In connection with the responsibilities of the Secretariat in the area of procurement, in his report on the establishment of a transparent and effective system of accountability and responsibility (A/C.5/49/1), the Secretary-General informed the General Assembly that the procurement process and related management issues at Headquarters, for field missions and in the field, would be reviewed in 1994 by an independent high-level group of procurement experts. So as to ensure the input of Governments in this very important and highly scrutinized area, the participating procurement experts were drawn from Member States. In its review, the objective of the group was to make recommendations that would provide the basis for a more responsive and coherent policy - a new policy that is intended to establish the responsibility for an efficient and responsive procurement process and that ensures that goods and services are obtained in an expeditious and cost-effective manner, including those for field missions and in the field. Moreover, this policy is to include revised procedures to provide for a truly competitive, fair and transparent process, including the establishment of clear lines of authority and accountability, and inherent control mechanisms.

3. The terms of reference of the group of experts are contained in annex I to the present report. The main areas and activities covered in the review by the group included the Financial Regulations and Rules of the Organization governing procurement procedures and practices; the requisitioning, bid evaluation and vendor registration processes; the use of Letters of Assist; the current levels and scope of delegated procurement authority to field missions; the distribution of workload between Headquarters and the field in terms of both value and number of transactions; and the existing control mechanisms in that regard.

4. The group of experts was guided and assisted by a steering committee chaired jointly by the Under-Secretaries-General for Administration and Management and for Peace-keeping Operations. The report of the group of experts was submitted to the steering committee at the end of December 1994.

5. In making its recommendations, the group of experts divided them into two stages. The first included recommendations in which either quick benefits could be gained or the gestation period of the recommendation was relatively long; and the second included recommendations for actions needed to ensure that the United Nations Secretariat instituted a logistics organization that would provide effective, efficient and cost-effective future support for peace-keeping and other field operations.

6. Bearing in mind the concerns of the General Assembly and having considered the recommendations of the procurement experts, as well as other recommendations and suggestions made, inter alia, during the Assembly, including those of the Board of Auditors, the Secretary-General presents this progress report on the plan of action for procurement reform. It explains actions already taken and sets out the future steps for the Secretariat to implement the plan. The Secretariat plan of action for procurement reform is contained in annex II. A full report on procurement reform will be submitted to the General Assembly at its fiftieth session.

II. IMPROVING PROCUREMENT AND LOGISTIC SUPPORT FOR THE FUTURE

7. The Secretary-General has accepted most of the recommendations made by the high-Level expert procurement group and indeed the Secretariat has already been given the task of implementing those which are within its current resources and capacity. It has been recognized that there is a need to strengthen the management structures for procurement. Therefore, the proposed programme budget for the biennium 1996-1997 for the Office of Conference and Support Services provides for PTS to be restructured as a Division reporting directly to the Assistant Secretary-General for Conference and Support Services, and headed by a Director at the D-2 level.

Training for procurement

8. The Secretariat has implemented a programme of training for procurement personnel offered by the United Nations Office for Project Services in conjunction with George Washington University's Government Contracts Programme. Accordingly, all staff of PTS and selected procurement personnel of the Field Administration and Logistics Division (FALD) of the Department of Peace-keeping Operations (DPKO) have been participating in the training programme. This training will be further expanded to include management training to improve the professionalism, capability and skills of procurement managers.

9. A one-month on-the-job training programme for procurement personnel to peace-keeping missions has also been instituted. Starting with the United Nations Mission in Haiti (UNMIH), there will also be rotation of procurement staff on a regular basis between Headquarters and the field. All staff members concerned will also be receiving the necessary training in the Integrated Management Information System (IMIS) and REALITY.

Delegation of authority

10. Revised delegation of procurement authority for peace-keeping missions has been granted worldwide, increasing mission procurement authority significantly. Accordingly, all restrictions for missions to procure only within a limited geographical area have been removed.

11. Arrangements have also been made for the Controller to authorize, in certain key areas, commitments up to 75 per cent against future allotments under financial rule 110.6 in order to enable procurement of essential goods and services required for new missions and the maintenance of ongoing missions.

System contracts

12. Considerable progress has been made in utilizing system contracts for the provision of goods and services. FALD, PTS and the Office of Legal Affairs (OLA) are seeking to identify requirements for goods and services that are appropriate for system contracts which are not mission-specific, but rather required regularly.

Vendor roster

13. The current vendor roster in PTS includes more than 4,000 firms from the majority of Member and Observer States. The review of the roster has already begun and it is expected that it will be completed by March 1996. In the review process, the Secretariat will consult with Member and Observer States and seek information on their respective national vendor registration details. Instructions have been given to all concerned staff to respond to all pertinent questions raised by vendors in order to avoid misunderstanding and to ensure transparency in actions involving vendors.

14. The vendor database in IMIS will consist of all vendors, both finance and procurement related. A draft paper "Policy on vendor database maintenance", for procurement vendors, has been prepared by representatives of PTS, IMIS and the Department for Development Support and Management Services (DDSMS). The paper establishes criteria for admission to the vendor roster, approval and removal procedures and methods to maintain an active vendor roster. The re-registration exercise is currently being developed and approximately 8,000 vendors (PTS and DDSMS combined) will be requested to re-register. A second phase of the project will be to identify new sources to be included on the vendor roster. A consultant will review the vendor performance criteria and make recommendations for an effective vendor selection system for use with the bid module of REALITY and a performance evaluation system.

15. Further, in addition to new criteria for placing vendors on the roster, criteria are also being developed for removing vendors from the roster.

Headquarters Committee on Contracts

16. The Headquarters Committee on Contracts can no longer be served on a part-time basis by staff who have other full-time jobs in various departments and offices. Therefore, the position of a full-time Chairman of the Headquarters Committee on Contracts was created and filled, effective 1 June 1995. Moreover, the composition as well as the terms of reference of the Committee are currently being reviewed in order to ensure its effective functioning, taking into account in particular the procurement reforms being introduced.

Defining responsibilities/streamlining procedures

17. Closer working relations have been promoted between the Department of Administration and Management (DAM) and DPKO. The respective responsibilities with regard to procurement of DAM and DPKO, as well as those of OLA, are under review in an effort to remove bottlenecks and to ensure an efficient and effective system of procurement. A status report on all procurement for major peace-keeping operations is prepared and circulated on a weekly basis within DAM and to DPKO, not only for the purpose of information dissemination, but also to resolve the difficulties encountered.

Ombudsman

18. An office of an Ombudsman will be established by the end of this year, to which all vendors may address their complaints.

Financial regulations and rules and standard operating procedures

19. A comprehensive review of the Financial Regulations and Rules of the United Nations as they pertain to procurement is a major undertaking. The Organization, unfortunately, does not have at present either the necessary expertise or the resources to undertake such a major review. While certain adjustments have already been made, the actual review and the necessary revisions will begin in August 1995 with external assistance by Member States. An interim revision to the PTS Procedures Manual has been prepared, however, and is in use. It is expected that the comprehensive review will be completed by July 1996. A final manual elaborating standard operating procedures for procurement will be prepared during this time.

Publicizing contract activities and awards

20. Information on all contract awards resulting from the recommendations of the Headquarters Committee on Contracts is currently being issued monthly in "Procurement Update" published by the Inter-Agency Procurement Services Office (IAPSO).

21. Efforts are also under way to optimize the use of electronic bulletin boards or similar means.

Staff resources

22. Although action is being taken in the direction of procurement reform, it must be emphasized that relative to the workload of procurement at Headquarters and for field missions, as well as local procurement in the field, there simply is not a sufficient pool of staff resources, particularly procurement officers. There are currently only 29 Professional level staff members to deal with procurement - for Headquarters and regional commissions, as well as for field missions - procuring goods and services for almost $500 million, compared with $54 million in 1990. Also complicating the problem is the fact that posts or temporary assistance funds provided through the support account for peace-keeping operations are available only on a short-term basis. Accordingly, there is great difficulty in attracting well-qualified procurement professionals. A partial answer in addressing this problem has been the secondment from Governments of military/civilian procurement professionals. At present, four secondees are available to PTS to strengthen their capability to meet the procurement requirements of peace-keeping and other field missions.

23. Further, discussions are under way within the Secretariat, emphasizing the need to assign a small group of legal officers, with expertise in contractual matters, to deal with procurement contracts on a full-time basis. PTS and OLA are jointly reviewing all the forms, documentation and contracts in use, to seek further standardization and simplification to reduce the amount of unnecessary work and duplication while ensuring greater clarity.

24. Another staff resource area that is being addressed is the role of contract administrators. Work is under way within the Secretariat to have contract administrators in place in the field to ensure the effective implementation of contractual obligations, particularly involving major contracts.

Information technology

25. With regard to the development of information technology in support of procurement activities, the UNIX/Sybase version of REALITY will be integrated with the financial functionalities in IMIS and is scheduled to be implemented with Release 3 of IMIS by the end of the current year.

26. The integration of IMIS/REALITY will, inter alia, ensure financial control: all requisitions will be pre-encumbered and obligated (certified and approved) in IMIS to ensure that funds are available. This will ensure procurement action is taken only when funds are available in a particular budget account code. Policies and procedures will be standardized for the use of REALITY by all users at Headquarters and all offices away from Headquarters, including peace-keeping and other field missions. A catalogue is being developed, which consists of unique item specifications for commonly procured items. The catalogue will standardize specifications to be selected for inclusion in requisitions and will facilitate the procurement process and make requisitioning of standard items easier for the user.

III. CONCLUSION

27. The high-level expert procurement group carried out a detailed analysis of the current procurement practices and procedures both at Headquarters and in the field. The problems identified related to the full spectrum of procedures, processes, organization and culture. Identified were problems associated with excessive bureaucracy; lack of delegation of authority; little or no empowerment of staff; inflexible regulations, rules and practices; and poor management and leadership.

28. As can be seen, action is already being taken on some of the recommendations made by the group, as well as on others made during the General Assembly, including those of the Board of Auditors. Progress is constrained, however, both by the current high levels of workload being experienced and by the limited capability of the present staff. Progress will continue to be made but it is stressed that the target completion dates in the plan of action reflect the best case situation, given the staff resources available.

29. Detailed work has also started on providing a firm foundation upon which further change can be built by improving specifications, establishing a comprehensive vendor database and reviewing all existing documentation to bring about greater standardization and simplification. The current fragmentation of functions will be addressed by taking a holistic and integrated approach, which will bring together not only the purchase of equipment, but also the control of transportation, distribution and asset management. This will allow effective control of the total process by one function, thus giving better accountability and transparency.

30. Finally, the Secretary-General wishes to express his sincere appreciation to all the experts serving as members of the high-level expert procurement group for their dedicated and most valuable contribution towards the reform of the

United Nations procurement system, as well as to their Governments for making their services available to the Organization.

ANNEX I

Terms of reference for the high-level expert review of the procurement process for the Organization, for field missions and in the field

Objective

1. The high-level expert review of the procurement process is intended to result in specific recommendations leading to the establishment of an efficient and responsive procurement process, including procurement for field missions and procurement in the field. The procurement process should ensure that goods and services are obtained in an expeditious, timely and cost-effective manner. At the same time, the process must also provide for transparency, clear lines of accountability and inherent control mechanisms, and involve a competitive process to the extent possible.

Plan of action

2. Specifically, the group of experts shall undertake the following tasks:

(a) Conduct a strategic needs analysis in the area of supply of goods and services for the Organization and, specifically, for field missions, including the related contracting procedures, determining distinctive characteristics of the required procurement action, in particular in support of rapid deployment of new operations and major expansion of existing ones;

(b) Undertake a systematic in-depth review of:

(i) The current procurement process at United Nations Headquarters and selected field missions, including the requisitioning, bid evaluation and vendor registration processes;

(ii) The financial regulations and rules governing procurement, as well as the established practices, including procurement for field missions;

(iii) The control mechanisms in place;

(iv) The use of Letters of Assist as a procurement mechanism;

(v) The current levels and scope of delegated procurement authority to field missions;

(vi) The distribution of workload between the United Nations Headquarters and field missions in terms of both value and number of transactions;

(vii) Other internal as well as external factors that may affect the efficiency of the procurement processes;

(c) Based on the results of the review, the group will document in detail all existing bottlenecks, restrictions and constraints in the current procurement process, highlighting the limiting factors causing those effects;

(d) In the light of the needs analysis and taking into consideration the detected shortcomings of the current process and procedures, and their causes, recommend specific, pro-active steps to enhance the procurement policy and contracting procedures.

ANNEX II

Procurement plan of action

Stage 1. Recommendations that should be carried out as soon as practicable either because they give an immediate gain or alleviate current problems, or because their gestation period is long and their completion is complementary to Stage 2 recommendations:

	Recommendation	Target completion date	Action started
1	Implement a programme of professional training, starting at buyer level.	December 1995	Yes
2	Training for management and supervisory levels on general management and commercial competencies, as well as on United Nations-specific systems.	March 1996	Yes
3 (a)	Functional responsibility for all procurement to be given to DAM.	Under consideration	
3 (b)	Operational responsibility for procurement to remain with DPKO.	Under consideration	
4	All chief procurement officers to have the right of direct access to the Chief, PTS, on professional matters	Under consideration	
5	All requisitions for Headquarters action should go directly to PTS and not through FALD, preferably electronically.	Under consideration	
6	Abolish local committees on contracts	Under consideration	
7	Issue personal letters of delegation that clearly spell out what can and cannot be done.	September 1995	No
8	Increase delegations to field missions in line with the suggestions detailed in annex D to the report of the high-level expert procurement group.	December 1995	Yes
9	Issue a larger imprest to sector level in field missions (about $5,000), to use for day-to-day requirements; guidelines on its use must be issued.	August 1995	No

	Recommendation	Target completion date	Action started
10	While waiting for budget approval, authority must be given to commit up to 80 per cent of the estimated budget (under rule 110.6); priority must be given for mission-critical items.	February 1995	Yes
11	PTS to review and implement increased numbers of global systems/blanket contracts.	January 1996	Yes
12	The vendor roster must be fully purged and Member States asked to seek national vendor registration details.	March 1996	Yes
13	Generic commercial specifications should be compiled and, where not available, United Nations-particular specifications should be developed by DPKO; field missions must be issued with a full list of specifications.	January 1996	Yes
14	Issue clear instructions on the use of the Immediate Operational Requirement. (A revised definition is given in paragraph 10 of the high-level expert procurement group's report.)	Under consideration	
15	The Headquarters Committee on Contracts should pre-vet only the systems contracts and carry out a quality review process on a decision already made.	Under consideration	
16	Public bid openings should be stopped.	Under consideration	
17	The bottlenecks identified in PTS at the level of the head of the Field Mission Procurement Section and head of the Processing Section should be eliminated by better definition of the responsibilities at lower levels.	July 1995	Yes
18	PTS must initiate a record system to show staff qualifications, expertise, experience and competencies; match staff to posts.	January 1996	Yes
19	Procurement plan to be drafted to cover estimated requirements over a 12-month period.	February 1996	No
20	All reports currently available should be critically reviewed and deleted if not used.	December 1995	Yes

	Recommendation	Target completion date	Action started
21	Managers should identify their IMIS requirements: requisition value; amount spent/committed budget; demand satisfaction rate; lead times; equipment performance and trend analysis; vendor performance, etc.	November 1995	No
22	All relevant staff to receive both IMIS and REALITY training.	December 1995	No
23	Post-operation reports must be generated to identify problems, solutions and recommendations for the future.	December 1995	No
24	All requests to vendors should allow 30 days for a response, with a minimum of 14 days for a fax response.	September 1995	Yes
25	An information technology coordinator should be appointed to survey and record all computer hardware and software in use, with a view to making full use of existing capabilities and expertise.	April 1996	No
26	Critically review the competence of managers and move/train, if necessary.	September 1995	Yes
27	An independent complaint bureau/Ombudsman should be appointed to receive and address complaints.	December 1995	Yes

Stage 2. Recommendations that require detailed implementation work and those which will provide the solution to see the support of the United Nations into the future:

	Recommendation	Target completion date	Action started
1	Implement a logistics organization.	July 1996	No
2	Perform a full inventory of existing assets to identify what there is, whether it is and its condition (asset redistribution could form the basis of start-up kits).	August 1996	No
3	Produce a procurement policy document.	July 1996	No
4	Produce a procurement procedures document.	July 1996	No
5	Prepare a standard operating manual.	July 1996	No
6	Foster a team concept.	March 1996	No
7	Issue a mission statement.	July 1996	No
8	Generate linear responsibility charts.	July 1996	No
9	Publicize all major contract activity and awards, both in hard copy and on electronic media, as a Contracts Bulletin, which should also include standard conditions of contracts and contract award criteria clearly spelt out.	February 1996	No

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